

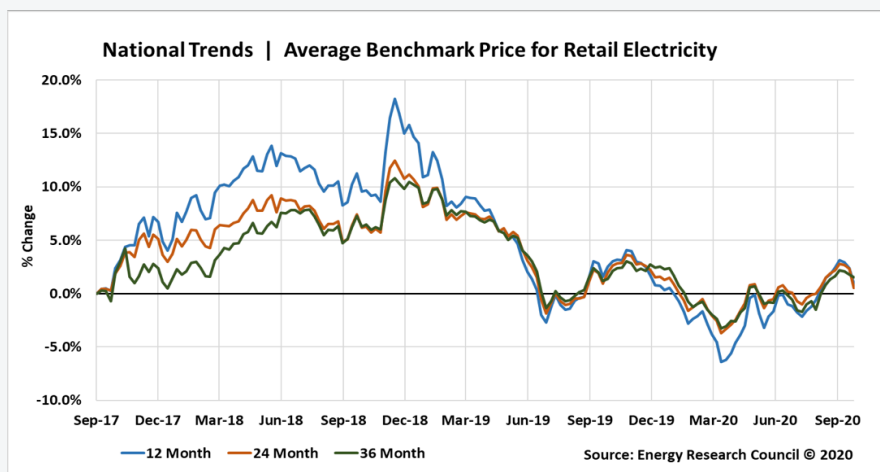
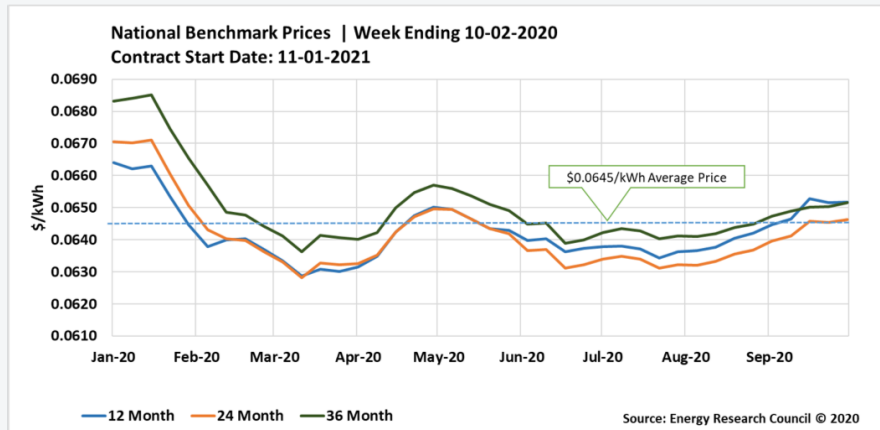
ELECTRICITY BENCHMARK PRICES & TRENDS

Power Prices for commercial/industrial customers continued to decline last week by -1.4%. Most of the price deterioration occurred in Connecticut (-5.4%), Massachusetts (-5.3%), and Ohio (-2.0%). With heat dissipating in the west and very mild temperatures forecasted for the east, low heating/cooling demand will likely bring additional downward pressure on prices.

The November natural gas contract closed up last week (+8%) ending at \$2.63/MMBtu. In contrast, Henry Hub spot (cash) prices declined to below \$1.50/MMBtu. The gap between prompt month and spot prices is due to falling production and higher liquified natural gas exports. This creates concern that the upcoming winter supply may develop a supply/demand deficit. Mild weather, a large storage surplus, and the effect of COVID-19 on the commercial/industrial sectors all continue to pressure prices downward.

Mild weather repressed domestic demand related to COVID-19, and a strong storage surplus are keeping prices historically low. Waning natural gas production and concerns with winter heating demand are pressuring prices upward. The spread between natural gas futures contracts and cash spot prices indicate the market expects prices to rise as we head into next year.

COMPETITIVE ELECTRICITY BENCHMARK TRENDS



MARKET DRIVERS

Natural gas production continues around 87.2 Bcf/d, down from 92 Bcf/d a year ago. With natural gas prices trending below producer's breakeven of \$2.50 MMBtu, it will require a substantial and sustained price spike to incent new well development.

Working natural gas stocks totaled 3,756 Bcf, which is 14% more than the year-ago level and 12% more than the five-year (2015–19) average for this week. Bloated natural gas inventories continue to keep the lid on natural gas prices and concern with increasing winter demand. Much will depend on this winter's temperatures. End-of-summer storage estimates look to be around 4.0 Tcf – a very robust supply of gas heading into winter.

A warmer weather pattern forecast for the next couple of weeks will lower power burn and increase injections into inventory. Temperatures should be above normal to well above normal across the central and eastern US over the next two weeks. Extreme heat in the west will begin to dissipate. Tropical Storm Delta is likely to strengthen into a hurricane impacting production in the central Gulf Coast later this week.

COVID-19 continues to deflate commercial and industrial natural gas demand. In the residential and commercial sectors, consumption declined by 7.5% amid seasonal fall temperatures. Industrial sector consumption decreased by 0.5% week over week.

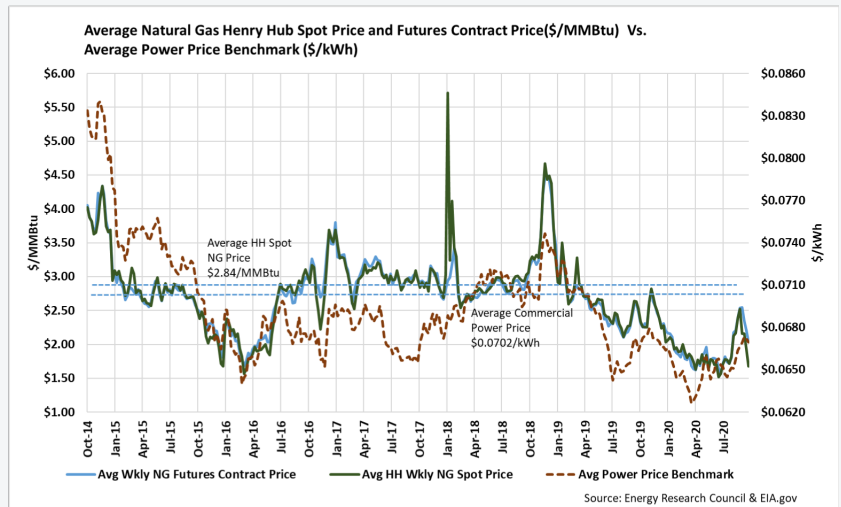
Natural gas exports continue strong due to higher international liquefied natural gas prices. While exports to Mexico decreased 1.5% last week, natural gas deliveries to U.S. liquefied natural gas export facilities (LNG pipeline receipts) averaged 6.5 Bcf/d, or 0.45 Bcf/d higher than last week.

HH SPOT PRICE & NG FUTURES CONTRACTS

Week Ending 10-2-20		HH Spot Price		NG Futures Contract	
		\$/MMBtu	% Chg. WoW	\$/MMBtu	%Chg. WoW
6 months	5/22/20	\$ 1.70	0.6%	\$ 1.73	-8.5%
Last Quarter	7/17/20	\$ 1.79	20.1%	\$ 1.71	2.5%
Last Month	8/21/20	\$ 2.39	7.2%	\$ 2.44	3.6%
Prev. Week	9/18/20	\$ 1.56	-19.2%	\$ 2.05	-9.4%
Last Week	9/25/20	\$ 1.90	21.8%	\$ 2.14	4.4%

NATURAL GAS STORAGE LEVELS

Week Ending 10/2/20	Storage	
	Bcf	%Chg.
10/2/2020	3,756	2.1%
Last Week	3,680	1.8%
Last Year	3,285	3.4%
5 year average	3,351	2.4%



BULLS & BEARS

BULLS: Moving prices upward

- Waning natural gas production
- Concern for winter heating demand
- Tropical Storm Delta could impact production in the Gulf Coast later this week.

BEARS: Moving prices downward

- COVID-19 continues to deflate natural gas demand
- Gas storage is 14% more than the year-ago level
- Mild weather and the low heating/cooling demand for commercial/industrial customers.

Contact APPI Energy

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